

STATEMENT OF PURPOSE

RS21463C1

The Judges' Retirement Fund, created in 1947, has been a key element in the recruitment and retention of highly capable justices and judges. This bill, the product of extensive deliberation by all three branches of government over several years, as well as consultation with the board members, staff and actuary of PERSI, provides a comprehensive approach to ensuring a sound financial footing for the Fund for years to come.

The major changes that will be enacted by this bill are as follows: (1) The employer's rate of contribution is increased from 7% to 10.5% in two steps in FY 2013 and FY 2014. (2) The employee's rate of contribution is increased from 6% to 9% in two steps in FY 2013 and FY 2014. (3) The civil filing fee contribution to the Fund is increased from \$18.00 to \$26.00. (4) Judges and justices who take office beginning July 1, 2012, would be eligible for Plan B service, under which retiring judges agree to provide service as senior judges for five years in return for an increased percentage in their retirement benefit. However, they would be required to provide 60 days of service in each of those five years, rather than the current 35 days of service. In addition, those who are eligible for retirement because they have reached age 55 and have at least 15 years of service would no longer be eligible for Plan B service. (5) The surviving spousal benefit for justices and judges who take office beginning July 1, 2012, would be rolled back to 30% of the applicable retirement compensation, rather than the current 50%. (6) The annual cost of living adjustment for justices and judges who take office beginning July 1, 2012, would be the same as the PERSI cost of living adjustment for that year, rather than being based on the current annual compensation of sitting justices and judges. Justices and judges who took office before that date would have a one-time option to elect, no later than August 1, 2012, to convert to the PERSI cost of living adjustment. (7) Administration of the plan would be transferred to PERSI after receipt of an IRS determination letter stating that the Judges' Retirement Fund is a qualified plan and after any changes required by the IRS have been adopted. (8) There would be a fiscal year-end report submitted to the chairmen of the Senate Judiciary and Rules Committee, the House Judiciary, Rules and Administration Committee, and the Joint Finance-Appropriations Committee. The report would include an actuarial evaluation of the Fund and a report on costs or savings arising from Plan B service.

FISCAL NOTE

The increase in the employer's contribution rate will result in an increased contribution of \$116,385 in FY 2013, and a further \$90,390 increase in FY 2014. Based on FY 2011 figures, the annual increase in filing fees deposited in the Fund would be approximately \$724,000. Based upon current salaries, each district judge already contributes \$6,723 per year to the Fund. Under the provisions of this bill, each district judge would contribute an additional \$1,893 in FY 2013, and an additional \$1,468 in FY 2014. The annual contribution from each district judge in FY 2014, based on current salaries, would be \$10,084.

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